

Managing Purchased Services Contracts

With Brian Bartel

Episode 107

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Brian (00:00):

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Speaker (00:20):

Welcome to the Healthcare Leadership Experience Podcast, hosted by Lisa Miller and Jim Cagliostro.

Lisa is the founder of VIE Healthcare Consulting and now managing director at SpendMend. Lisa and her team has generated over \$1 billion in financial improvements for VIE's clients since 1999.

Since 2007, Jim has been a registered nurse working in critical care, perioperative services, and outpatient settings at nationally recognized medical facilities across three states.

You'll hear conversations on relevant and trending topics in healthcare and much more. Now, here's your hosts, Lisa and Jim.

Jim (00:59):

Hi, this is Jim Cagliostro and you're listening to The Healthcare Leadership Experience. Today's guest is Brian Bartel, Director of Materials Management at McKenzie-Willamette Medical Center in Springfield, Oregon, in addition to being an adjunct business instructor and content creator for the Power Supply Podcast, which I'll say I particularly enjoy. Brian, welcome and thank you for joining us today.

Brian (01:23):

Awesome. Thanks to be here, Jim. It's an exciting opportunity, as we were talking about before the show, but I appreciate everything that you and Lisa do. The information that you put out is valuable. I'm a constant consumer of that on LinkedIn and again, on the podcast that you guys run, so thanks for having me.

Jim (01:39):

Thank you. Appreciate that. So I always like to start off each episode you just telling the audience a little about yourself, what you do, what you enjoy about what you do, and what experiences in particular prepared you for the role that you're currently in right now.

Brian (01:54):

Yeah, it's a great question. And I don't know if I'm necessarily qualified for everything that I do, I think as everybody-

Jim (02:01):

None of us are, right? We're all learning.

Brian (02:03):

That's right. The more you learn, the more you know you don't know. Absolutely. But yeah, I've been in the healthcare supply chain for about 15 years. Prior to that, I was in retail management for about eight years, and then I actually did sales in the insurance and financial sector for a while and quickly realized that sales was not my forte. So for all the people in sales that

are out there, kudos to you. I respect you. It's hard to hear no time and time again. But I grew up in a rural part of Eastern Oregon and the hospital, obviously in some of these small towns, is the number one employer. And so I fell into that and realized, wow, I really enjoy supply chain. There's so many different things that happen. No day is the same. Hopefully we can bring efficiencies and streamline processes to avoid some of these chaotic fires that pop up, but again, every day brings this new challenge.

(02:52):

So I definitely enjoy that. The supply chain is just unique. At the end of the day, I know that there's a patient that live is being affected by the clinical teams that are taking care of those people. That's a passion. I know that if my family comes in or if I have to go to the hospital, luckily and fortunately, I know that I'm going to be taken care of. So having that passion and that mission behind what we do every day is important. What else? Yeah, so I started out in a critical care access hospital. I worked as a buyer, wore many different hats. Anybody that's worked in critical care access hospital knows that you do a lot of different things. So it was great because I was exposed to purchasing. We did distribution, we did receiving, we did store room. We all pitched in to make things work.

(03:31):

From there, I went and worked at the larger IDN in the Portland metro area, and that's where I really started learning about contracts. I worked with a very nice lady, Tammy Tatum, who taught me a lot. We supported primarily IT, but then I was handed purchased services, so I worked there for a number of years. I stepped out of healthcare, I worked at Portland General Electric, and that was literally, not to be punny, but turned the lights on for me as far as other things. In healthcare, we think everything is so important in healthcare, but when the lights aren't on, there's no electricity, everything stops. And so just realizing how much work goes behind everybody from the linemen that are out taking care of these things when there's storms, all the different things that they do, and then just the complexity of the infrastructure and the grid that we have that we all kind of take for granted when we turn that light on.

(04:17):

After that, there was a management position that came up in a small hospital in McMinnville, Oregon, and so we moved down there and took that and then came down here to Springfield, Oregon, and I've been here for going on four years, which is a Quorum Health facility, and it's just been good. So a lot of challenges. When you ask what has prepared me, I would just say trial by fire. But there's a lot. But being active, listening to podcasts like what you guys have with Power Supply. Networking. AHRMM is a huge component. Highly recommend people to look into AHRMM if you're not a member. Working towards your CMR, Certified Materials Resource Professional. I became a fellow a couple years ago. I serve on that committee. And then there's a lot of local chapters too. So I'm the VP of WSHMMA, which is the Western States Healthcare Materials Management Association, which is the Pacific Northwest chapter of AHRMM. So get in touch with people like that is really important too.

Jim (05:10):

That's great. I appreciate two things, your broad experience within the healthcare industry, but also like you mentioned, the things you did before that. You're bringing something to the table that a lot of people don't have, and even in recent years, there's been this push to say, "Hey, we need expert consultation or the experience, the voices from outside the healthcare industry to speak into it, to say, 'Hey, what are we missing? What can we do differently?'" So I appreciate everything you shared there. Indeed, you bring a lot to the table.

And so I actually didn't mention, but it's on our title page as we publish this, but we're going to be talking about managed purchased services contracts, and you mentioned that a little bit about contracts. And so I want to start with a very basic question. And for our audience, if you can provide your definition of purchased services in the healthcare setting. I don't know if you want to keep that simple or you can elaborate on it, whatever you'd like to do.

Brian (06:00):

It's a great question, Jim, and I think that's part of the problem, and especially what you probably see on your side too, is that there's not really a solid definition that's adopted universally throughout the healthcare supply chain

or just healthcare in general too. But I just keep it simple. Is it a service that we're purchasing and that's usually typically some sort of a purchase or a contract or an outsource of some service that we're taking advantage of.

Jim (06:24):

Great. So in your opinion, and really in your experience, why would you say purchased services contracts, especially in healthcare, present a unique challenge to hospital leaders?

Brian (06:35):

On many different things. So coming from my supply chain view, these are difficult and it really depends on how you're doing things, whether it's your ERP or your MMIS, materials management information system. When you're talking about supplies, it's pretty easy. You've got a specific item number, you've got your power set, your requisitions, everything is very orderly. So things are coming in, you can track it, you've got the data behind it, there's a contract with that line item pricing. And then when you get confirmations back, usually people are using some form of EDI, which makes it relatively easy, and you can track that. Item A is item A, item B is item B.

(07:08):

Purchased services is different because it typically is not on a PO. Again, I've worked places where it is, but that comes with its own challenges. It's very department specific, so you've got usually a department manager or leader that's kind of running that point with it. We don't have as much interaction on the supply chain side of this either. Communication is usually kind of sparse between supply chain and a purchased service provider as compared to a typical supply vendor. And again, the data is just, it's more difficult. When you start looking at how things are being invoiced because there's no PO line, it gets very challenging to try to figure out, "Okay, what's actually happening with this spend?" Typically, invoice will come in, the department manager signs off on it, it gets paid, and that's it. So a lot of opportunity there.

Jim (07:54):

That's great. I appreciate that overview of it, but yeah, definitely a unique challenge. I want to share with our audience what drew my attention to, and I saw your activity on LinkedIn, but that Power Supply, the supply chain podcast that you're involved with. I don't know if it was the last episode, I might be behind, but in a recent episode, I remember you saying that a lot of purchased services are going unmanaged. I think that's the word you used. That the contracts just auto-renew, and people don't know what options they have. How should hospitals approach their existing purchased services contracts and how do they take a proactive rather than reactive approach?

Brian (08:30):

Yeah, it's a great question, Jim, and I think that at square one, I think the biggest thing you can do is if your organization or your hospital, your ASC, your clinic, whatever it is, if you don't have a centralized contract repository, that's step one. Again, stepping into certain roles in my past, you've got contracts that might be down in admin. You've got department managers that have signature execution authority and they've got them in their files, and then you realize three years later that there's been this contract that nobody's really paying attention to because it's just a paper copy.

(09:01):

So really, I think that that's the biggest thing for me is getting your hands around it. Number one, you've just got to have that centralized repository. Again, that doesn't mean that you need to use software. Software obviously makes things easier. I'm a big proponent of that. But again, even just saying, "All right, nobody can sign contracts except for," whether it be your CEO, your CFO. "Send all these down and we're going to put them in a file cabinet." At least then you can go and try to find where those contractual documents are.

Jim (09:26):

I can't tell you how many times... Now I joined VIE in 2018, so it wasn't as much of an issue, but it's still going on today. But historically, that was a major issue, especially when we didn't really have everything digitized. You couldn't find, there was no centralized repository, like you're saying, and so you spent so much time trying to track down not just a contract, sometimes

the addendum of a contract wasn't with it. It's been a mess, but it is getting better, and so I appreciate you saying that.

One question I'd like to throw out there too, how often do you believe, and maybe this is different depending on the vendor, depending on the department, how often should hospitals be evaluating their current contracts? Do you have a rule of thumb to guide you?

Brian (10:07):

I would say at least annually. It's always good to have that check-in annually, even if it's just pulling the contract, making sure when does this contract terminate? That's the other thing about automated systems through contract software is that you can set those flags. "Hey, something's coming up 180 days later." Again, with things that are just auto-renewing, that's an issue too. If you miss that window to terminate something that you do want to go out to bid for, or maybe it's a contract that you don't need anymore. And I've seen, you've probably seen it too, 180 day out clause, some of these things. So if you miss that, that's going to be a problem.

(10:38):

As far as reviewing, it depends too on the type of service. Some of them are much more important, and so having a quarterly business review or a semi-annual business review is important, and that gives the vendor time to come and showcase what it is that they're doing too, because at the end of the day, sometimes these people are coming in, they're doing great work, but nobody really knows except for that department or specific area that they're there too. So giving that face time opportunity for the vendor, especially on those critical contracts, are important as well.

Jim (11:05):

That's a great point. I appreciate that. And going back to the auto-renew, I mean, we'll say just in our experience, if a contract is auto-renewed, it doesn't make it impossible to renegotiate or to try, but it makes it much harder. It's so much better when you're coming up to that renewal, and like you said, you have that system in place that gives you the notice, "Hey, this contract is

coming up for renewal. What are you going to do about it?" Great. Thank you for sharing.

Brian (11:29):

Absolutely.

Jim (11:30):

If you're just tuning in, you're listening to The Healthcare Leadership Experience, and I'm your host, Jim Cagliostro. This show is sponsored by VIE Healthcare Consulting, a SpendMend company, which provides leading edge financial and operational consulting for hospitals, healthcare institutions, and other providers of patient care.

Since 1999, VIE has been a recognized leader in healthcare costs, hospital purchased services, healthcare benchmarking, supply chain management, and performance improvement.

You can learn more about VIE Healthcare Consulting at viehealthcare.com.

(12:02):

So Brian, upon reviewing a contract, let's just say you realize your organization is not getting the best pricing, or the vendor has failed to live up to their side of the agreement, this happens, what are your next steps that hospital leaders can take to most effectively engage that vendor and address the issue?

Brian (12:21):

Such a great question, Jim, and I think that that's where you've got to have a little finesse, again, realizing that some of these contracts, there's a lot of relationships built in. Again, if you've got somebody that's on site providing this, odds are they built those relationships. So I always take the approach when I notice that something's not going well on my side, if I notice an invoice discrepancy or something, it's an automatic red flag, but don't assume that it's malicious, right?

(12:44):

So the first thing that I recommend is definitely reaching out to the vendor, the supplier, the individual, whoever it is that's your point of contact and just have that conversation. Say, "Hey, we noticed that there's a deficiency here," or, "We have a question about this invoice," and give them a chance. Because again, remember, on their side, I think it's probably maybe not quite as complex as it is on ours, but I know that just the conversations that I've had with suppliers in the past is that there are mistakes made when they're sending out invoices on a monthly basis or whatever it is. Again, give them that opportunity to rectify, at least bring it to their attention, and don't assume a malicious intent, even though that's probably from a supply chain standpoint, something that we might tend to do a little bit too much, right?

Jim (13:23):

Yes. Yeah, I think we experience it and then right away we're looking for that. But I love that you said the importance of reaching out to that individual. And sometimes the issue is a vendor rep, maybe they get promoted or they leave the company, and we've worked with hospitals where this was two or three reps ago now the contact that we're reaching out to. Sometimes they'll pick up and they say, "Oh, no, here's the number." Other times it takes some homework to get that person on the phone. But it's so important to have those relationships, to maintain those relationships. And I love that you pointed out, don't assume that it's malicious, that honest mistakes can get made. If that honest mistake happens over and over again, then maybe you get a little suspicious of it. Give them the benefit of the doubt to start, right?

Brian (14:04):

Definitely.

Jim (14:06):

So I think it was that same episode of the Power Supply Podcast, but I remember you mentioned the importance, you focused on the importance of reviewing invoices. Why does that invoice review matter? Why is it so important when it comes to managing your contracts?

Brian (14:22):

Yeah, so Jim, I think that it's, I don't want to call myself lazy, but I like low-hanging fruit. I like easy tasks. And so that's the thing, right? At the end of the day, we're paying for whatever it is that we've signed up contractually for. And so having that actual invoice in front of you will tell you a lot of different things. Number one, you get the contract. Number two, you get the invoice. And then you start going through, does this make sense? Are things lining up? And I found some just very easy wins, things that they've been charging for, like an EVS vendor that was charging for restroom service, thousands of dollars a year, nobody knew what it was, and all they were doing is just bringing in little scent pads and not even going into the restrooms. But that was a line item that nobody had really questioned before.

(15:04):

And so by seeing that actual invoice, again, now you're not just seeing it as X amount, now you can actually go in and see what it is that they're invoicing for. Again, correlating back to the supply chain side, we know that. We know each individual widget, case, box, each, but until you see that invoice a lot of times, if you're looking at it from a GL perspective or an expense, you don't see that line item necessarily all the way down to that detail. So it just tells you a lot. And again, maybe I'm just a nerd, but I like doing that. I like pulling those occasionally and just making sure, do the sniff test. Does this seem like everything that it should be? And then ask those questions. And again, you learn through that too. Some of the services that we have, it's like, "Oh, I didn't know that that was included." So again, that goes back to the communication with the vendor or supplier, give them opportunity to explain what it is that they're invoicing as well.

Jim (15:52):

And it's not just a good feeling, but you know you're doing something good for the hospital. And you said it at the beginning here, ultimately it's going to impact patients. You're doing things, you're making improvements that are ultimately going to impact the patient care and patient outcomes. So I love that about it. I think Lisa shared in a webinar, I think it was last week, about some of these documents that you're going through, it can be 80 pages long, and it might be one line item on page 52 that says some miscellaneous

charge, and it's like that doesn't even apply anymore. And so when you can find those little hidden gems, it's a good feeling, but you're also making a real difference for the hospital and for the patients, the community that it cares for. So that's a great insight that you shared there.

I want to ask you this, are there any common issues and any common red flags that you see in purchased service contracts that healthcare leaders should look out for or be concerned about? Anything that really stands out like, "Hey, hold on a second. This is an issue."

Brian (16:46):

I would say that's more of like a process related thing. Again, if you don't have a good review process, if you don't have a centralized contract repository, those are the challenges. And then again, just knowing where to start too. Again, coming from my background, I was fortunate. If you would've just stuck me in purchased services when I left the critical care access hospital, I would've had no idea, but I had a mentor, I had somebody that was teaching me that. So rely on those people and ask those questions. Ask the department managers, your GPO. Again, I know that there's pros and cons of GPOs, but that's a great place to look too. And that's one thing that I realized early on in my career is that typically purchased services will reside in a different place than your med-surg physician preference items. So you've got to kind of hunt and peck for these things too.

(17:31):

Again, if there's a GPO contract that you're not taking advantage of, I've seen some significant cost savings come out of just telling the vendor, "Hey, I realized that we've been paying X for this service, but did you know that there's a GPO contract?" And that makes it a really kind of eye-opening experience, and usually they don't want to lose the business, and so they'll just say, "Oh, that's great. Let's get this contract amended. We'll get it switched over," and now you've got the GPO pricing. So again, kind of those little tricks of the trade that I would say is just be inquisitive about.

Jim (17:59):

That's great. Sometimes the easiest thing but the best thing you can do is simply ask. And you might be surprised at the answer. You might be surprised at the response. And I appreciate what you said, and we've talked about it on this podcast before, the importance of resources, having a mentor to really bring you up into whatever your area is, in this case, purchased services, the contracts. It's so important to have an experienced mentor who's willing to bring you up and help you understand. And then having that good process. Sometimes there's a process issue, and it might not necessarily be an individual or a particular vendor, but there's a process issue that needs to be resolved. So all great points, Brian. Thank you for highlighting those.

(18:41):

Lastly, really to round out each episode, and I appreciate everything that you hit on here. I think it really gives us a good overview of these contracts, why it's a challenge, but why it's so important. I always like to ask our guests to leave us with some leadership insights, some bit of wisdom, if you can, that you've learned throughout your career or that has really carried you through to this point. Do you mind just sharing with our audience as we close out here?

Brian (19:05):

Yeah, I appreciate that, Jim. I think the biggest thing is just like I mentioned before, be inquisitive, have patience, and be strategic. A lot of the things that we would like to get done, whether it's supply chain or in our personal lives, it takes a while. So build those relationships, know what you want to do and know that it will take time. Rome wasn't built in a day. And so when you have those opportunities come up, if you're strategic about it, that door opens a little bit, you've got all your ducks in a row, then you can walk through and say, "Hey, I've got a solution to try to fix this, because I've been working on it in the background." So I wish that there was more that I could say than that, but I know personally that's what it is. Be inquisitive, be patient, be strategic, and build those relationships.

Jim (19:47):

That's perfect. Well said, Brian. Thank you. Sometimes I tend to add too many words and you just need to keep it simple. I thought that was great. Thank you so much for being on the show today and thank you to our listeners who spent time with us.

If you have any questions about VIE Healthcare Consulting, a SpendMend company, or if you want to reach out to me or Lisa Miller, you can find us on LinkedIn. You can also find Brian on LinkedIn too. We'll provide a link in the show notes. We at SpendMend love helping hospital leaders uncover financial leakage and improve the patient experience, and we're hoping that today's episode gave you some new insights to consider and use in your career and in your own healthcare organization.

Brian, once again, thank you for being on the show with us.

Brian (20:27):

Thank you, Jim. It's my pleasure. It's always nice to meet new people, and again, thank you for everything that you guys are doing because it definitely makes a difference and I appreciate it.

Jim (20:34):

Our pleasure. Thank you, Brian.

Speaker (20:37):

Thanks for listening to the Healthcare Leadership Experience podcast, we hope you've enjoyed this episode. If you're interested in learning new strategies, best practices, and ideas to utilize in your career and healthcare organization. Check out our website at thehealthcareleadershipexperience.com.

And oh yeah, don't forget to rate and review us and be sure to join Lisa and Jim, next time on the Healthcare Leadership Experience podcast.

Thanks again for listening.



MEET LISA MILLER

"It's important for hospitals to have a clearly defined cost savings strategy with purchased services as a component to that strategy. We provide our clients with a focused roadmap to achieve those savings through our expertise since 1999."

Lisa Miller launched VIE Healthcare Consulting in 1999 to provide leading-edge financial and operational consulting for hospitals, healthcare institutions, and all providers of patient care.

She has become a recognized leader in healthcare operational performance improvement, and with her team has generated more than \$720 million in financial improvements for VIE Healthcare's clients.

Lisa is a trusted advisor to hospital leaders on operational strategies within margin improvement, process improvements, technology/ telehealth, the patient experience, and growth opportunities.

Her innovative projects include VIE Healthcare's EXCITE! Program, a performance improvement workshop that captures employee ideas and translates them into profit improvement initiatives, and Patient Journey Mapping®, an effective qualitative approach for visualizing patient experience to achieve clinical, operating, and financial improvements.

Lisa has developed patented technology for healthcare financial improvement within purchased services; in addition to a technology that increases patient satisfaction through frontline insights.

Lisa received a BS degree in Business Administration from Eastern University in Pennsylvania and a Masters in Healthcare Administration from Seton Hall University in New Jersey.

She is a member of the National Honor Society for Healthcare Administration – Upsilon Phi Delta. Her book *The Entrepreneurial Hospital* is being published by Taylor Francis.



MEET JIM CAGLIOSTRO

Jim joined VIE Healthcare Consulting in 2018 and brings to the role over a decade of critical care nursing experience at highly regarded medical facilities across three states.

During that time, he observed both the 'good and bad' of hospital operations in a number of regions, giving him a unique insight and understanding which he brings to VIE Healthcare Consulting's clients.

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MEET BRIAN BARTEL

Brian Bartel, an accomplished Supply Chain Professional and Adjunct Business Instructor, holds an MBA, CMRP, CAPM, LSSGB, and FAHRMM certifications. With expertise in procurement, inventory management, process improvement, and contractual negotiations, he excels in managerial and analytical roles. Brian's proactive approach and hunger for knowledge drive his pursuit of personal and professional growth. Passionate about innovative supply chain practices, he consistently integrates new ideas to enhance productivity. His career reflects a commitment to excellence, adaptability, and continuous improvement in the dynamic field of supply chain management.

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